Risk Management Policy

UBL Fund Managers Limited

Contents

1) Objective & Scope

UBL Fund Managers Risk Management Policy provides the framework to manage risks associated with its activities. It is designed to identify, assess, monitor and manage risk emanating from across the entity. UBL Fund Managers shall follow Enterprise Risk Management (ERM) principles included in this Policy.

2) Organization of Enterprise Risk Management:

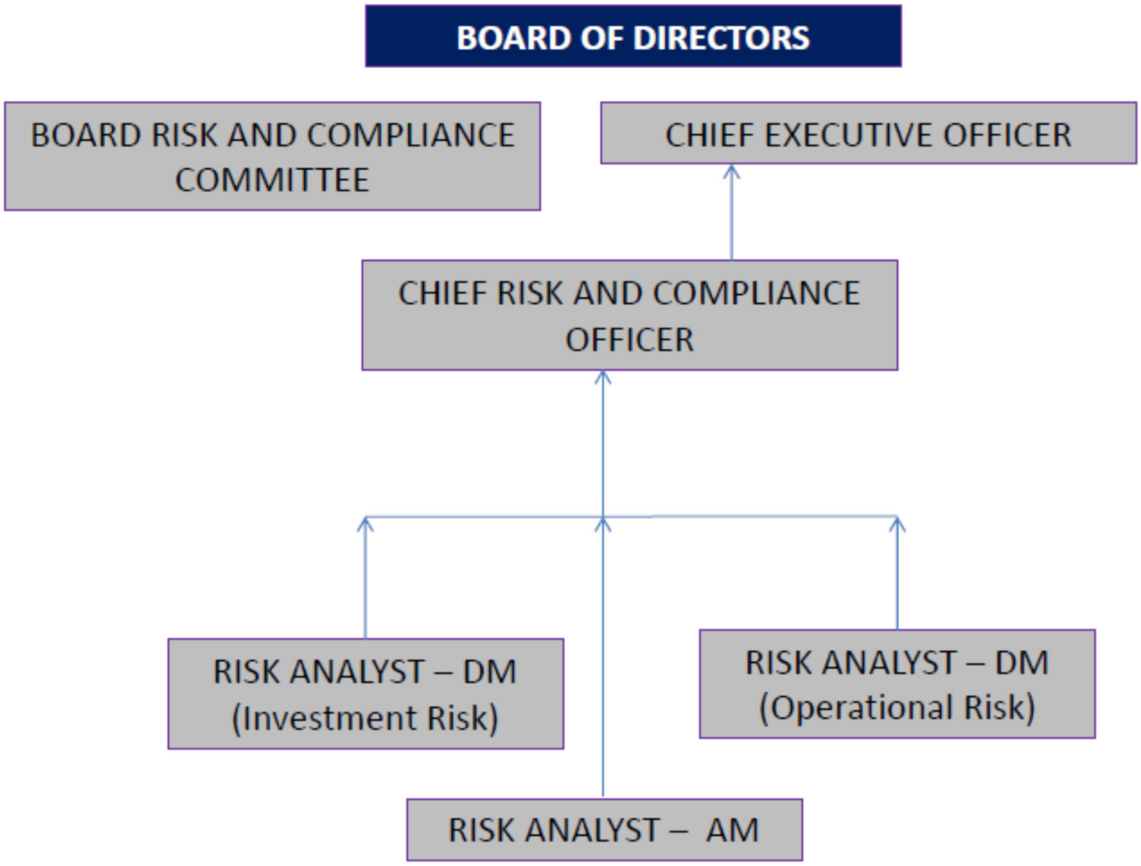
2.1) Risk Management Principles for Line of Defense:

a) First line of defense will be the relevant functions /departments supervised by the HOD’s and for the entity will be the CEO

b) Second line of defense will be the risk department headed by the CRO (Chief Risk Officer)/Head of Risk Management

c) Third line of defense will be the internal audit department headed by the Head of Internal Audit.

2.2) Organizational Structure:



3) ERM Principles:

3.1) Defining ERM:

"A process, ongoing and flowing through an entity effected by people at every level of an organization applied in strategy setting applied across the enterprise, at every level and unit, and includes taking an entity-level portfolio view of risk designed to identify potential events that, if they occur, will affect the entity and to manage risk within its risk appetite"

and

"able to provide reasonable assurance to an entity's management and board of directors geared to achievement of objectives".

3.2) Risk Appetite/ Tolerance Limits:

UBL Fund Managers Risk appetite is defined as its tolerance for risk as follows:

(i) Zero Risk appetite for Regulatory Non-compliance
(ii) Top Ten Risks on the basis of Residual Risk will be escalated to the Board of Directors and BRCC.
(iii) Key Risk Indicators (KRI's), where possible, will need to be within the specified thresholds as may be determined from time to time.
(iv) Concentration Risk of Asset Classes for funds and the AMC.

UBL Fund Managers shall devise ERM framework covering quantitative and qualitative benchmarks for assessing risk which will be approved by the Board Risk & Compliance Committee (BRCC) from time to time.

UBL Fund Managers Limited shall endeavor to align the ERM with the strategy (i.e. Corporate Objectives) of the Company.

UBL Fund Managers Limited shall maintain a dynamic ERM risk register at all times covering all functions and operations of the Company which will be updated on an on-going basis.

4) Roles & Responsibilities:

4.1) HORC & Risk Team: The Head of Risk and Risk Team shall review the ERM on an ongoing basis.

4.2) CEO, HODs and RCs: The CEO, Head of Departments and Risk Coordinators shall review the risks pertaining to ERM on ongoing basis, however mapping of these risks will be done on a quarterly basis.

4.3) Strategy Committee: The Strategy Committee (Management Committee) shall review the ERM on a quarterly basis.

4.4) CEO & HORC: The CEO and/or HORC shall escalate to BRCC and BoD any immediate critical risks impacting the Company.

4.5) BRCC and BOD: The Board and Board Risk & Compliance Committee (BRCC) shall review the ERM on a bi-annual basis.

5) ERM Process:

UBL Fund Managers Limited shall identify the key risks covering inherent risk rating, control assessment and residual risk rating (as per the risk matrix) facing the Company along with status of risk mitigation plans to the BRCC and the Board.

The Board shall determine the weightage of ERM KPI's as a performance measure for all the Head of Departments (HoD's) and Risk Coordinators from time to time (i.e. upto 10%).

The ERM KPI as a performance measure for HoD's and RCs shall be derived based on the risk control assessment ratings assigned by the Risk Team.

The Procedures/process designed based on this policy shall include details of the risks to be monitored, risk registers to be prepared and shared with relevant stakeholders as per frequency to be approved by the Management. The objective is to optimize the company's ability to achieve business objectives by using a risk management system that assists in appropriate management and early identification of risks. This policy is applicable on all the funds/schemes under management and Separately Managed Accounts (SMA's) on a consolidated basis.

6) Risk Policy Standards

The Risk Management system and procedures shall adhere to the following Risk

Standards. The below are the policy statements however the procedural requirements against this policy are covered in detail in the Risk Management Manual.

Risk Standard 1 - Acknowledgment of fiduciary responsibility
Fiduciary responsibilities shall be defined in writing and will be applicable on the parties responsible. Fiduciary responsibility shall encompass the responsibilities of the BOD, Risk Committee including the CEO, Head of Risk Management, CIO and the Risk Team members relating to risk management.

Risk Standard 2 - Approved written policies, definitions, guidelines and investment documentation:
The Board of Directors (BOD) / Senior Management shall approve formal written policies and procedures which reflect the overall risk management objectives of company and funds under management. They also shall approve investment guidelines, Investment process/SoP and any other that govern Investments. Technical terms should be defined. All policies, definitions, guidelines and investment documentation should be reviewed and updated as appropriate and more often if significant market events or changes in company strategy occur. The risk policies shall be consistent across similar asset classes and strategies.

Risk Standard 3 - Independent risk oversight, checks and balances, written procedures and controls
Oversight of compliance with risk policies shall be independent of investment activity and conducted according to up-to-date, written policies and procedures. Front, middle, and back office activities shall be separate and sufficient checks and balances and appropriate controls shall exist.

Oversight function shall be conducted by the Board Risk and Compliance Committee.

Risk Standard 4 - Clearly defined organizational structure and key roles
Organizational structure and reporting lines shall be defined clearly and distributed to all parties. It is important for identification, measurement & management of key risks. Key personnel and their roles in all front, middle and back office areas shall be identified. Changes in key personnel should be communicated immediately to all relevant parties.

Risk Standard 5 - Adequate education, skill-set, systems and resources, back-up:
The Board Risk and Compliance Committee shall ensure that human resource with adequate education / skill-set, systems and resources are available to implement and administer the risk policy / procedures. There shall be a Code of

Conduct /Ethics for the employees of the Company including policies to govern personal trades to counter risk of insider trading, front running and other misconduct. Adequate back up procedures should be in place and should be kept relevant based on the changes in the need and processes.

Risk Standard 6 - Identification and understanding of key risks:
Risks shall be analyzed to determine relevancy in line with the Risk Profile of various investment portfolios. This entails understanding strategies and their vulnerabilities, as well as assumptions built into an instrument, system, process, model or strategy. Concentration and interaction of various risk sources should also be analyzed. Key risks pertaining to following areas need to be reviewed periodically:

- Credit Risk: A credit policy/procedure needs to be in place which lays down the parameters to onboard and continuous monitoring of exposures including maintain a credit watch list with whatever name called.
- Liquidity Risk: A Liquidity policy should be in place should have appropriate internal risk limits, which can be lower than the regulatory requirement, to adequately gauge the risk and take timely divestment decisions.
- Concentration risk: Group exposure policy to not allow excessive exposure in single company or group should be in place.
- Market Risk: Policy/ procedure to track quarterly interest rate movement and its impact on fixed income assets and VaR based calculations to measure equity risk should be inplace

Risk Standard 7 - Setting risk limits:
Risk limits shall be set for the aggregate portfolio and all individual portfolios as well as for asset classes as the case may be (i.e. Ready Futures Spreads (RFS) and Margin Trading System (MTS). These may include limits on entities (i.e. Micro Finance Institutions), asset classes, individual instruments and specific types of risk e.g. Credit Risk, Market Risk, Liquidity Risk etc. The methodology of defining risk limits in the form of Management Action Triggers (MATS) as the case may be shall be approved by the Board Risk and Compliance Committee.

Risk Standard 8 - Routine reporting, exception reporting and escalation procedures:
The Board Risk and Compliance Committee shall specify reporting / escalation requirements of any risk limit breaches. This guideline also should define what constitutes required reporting or an exception to guidelines, who the exception should be reported to, what action must be taken for different levels of violation and what procedures must be followed for ongoing or increased violations. For routine reporting, the Risk Management Department shall decide the frequency and recipients. All exceptions and other reporting should be done atleast on quarterly basis to BRCC.

Risk Standard 9 - Valuation procedures and reconciliations:
All readily priced instruments shall be valued daily. The pricing mechanism and methodologies must be known, understood, follow written policies and be applied consistently by the Company Managers, trustee/custodians and other sub-contractors. Material discrepancies in valuations from different sources shall be reconciled following established procedures by concerned departments.

Risk Standard 10 – Risk Management is the voting member in the Investment Committee:
The Board Risk and Compliance Committee shall overs that the Risk Management department is adequately placed within the organization and that it is a voting member of the Investment Committee. The Risk Management shall keep the IC uptodate with the risk alerts or recommendations. Further, in case of disagreement with Investment over any matter the CEO shall has the discretion to decide. All cases of CEO discretion to override Risk management shall be brought to the BRCC knowledge in subsequent meetings.

Risk Standard 11 - Risk measurement and risk/return attribution analysis:

The Risk Management Department shall regularly/periodically measure relevant risks and quantify the key drivers of risk and return.

Risk-adjusted returns shall be measured by the Risk Management Department at the aggregate and individual portfolio level to gain a true measure of relative performance.

Risk Standard 12 - Stress testing of financial assets, Back-testing of strategies and assessment of Model Risk:
Simulation or other stress tests shall be performed by the Risk Management Department to ascertain how the aggregate portfolio and individual securities would behave under various conditions. These include changes in key risk factors, correlations or other key assumptions and unusual events such as large market moves.

Risk Standard 13 - Due diligence, policy and regulatory compliance and guideline monitoring:
The Internal Audit shall perform frequent, independent reviews of all departmental risk controls. Where controls fall short of the requirements, plans for future compliance or corrective action should be documented and communicated. Managers should ensure continuing compliance with the risk

policies and guidelines. There will be zero tolerance for regulatory non-compliances and for any repeat breaches the management has a right to take strict action.

Risk Standard 14 - Review process for new activities:
The Senior Management shall document the review process for permitting the use of new instruments, strategies or asset classes. Policies for initiating new activities shall be consistent with the risk and return goals as well as the Manager's strategy and expertise.

Risk Standard 15- BCP and DRP
The Senior Management shall document the processes for BCP and Disaster Recovery Planning. It shall also establish and test back-up procedures and disaster recovery / business continuity plans on a periodic basis.

7) Policy Ownership

The Board of Directors of UBL Fund Managers Ltd is the owner of the Policy.

8) Policy Implementation

The Senior Management of UBL Fund Managers Limited along with the Risk Management Department of UBL Fund Managers Ltd are responsible for implementation of the Policy.

9) Review Period

The policy shall be presented to the Board of Directors for review after every three years. The management may recommend a review on a need basis.